

Role of Audit and Finance Committees

**CFO ROUNDTABLE
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Finance Committee vs. Audit Committee

- Finance Committee:
 - Oversees the preparation of the annual budget and financial statements
 - Monitors the funds of the organization
 - Reviews investment policies
 - Advises the Board with respect to making significant financial decisions
- Audit Committee:
 - Independent oversight of accounting and financial reporting
 - Oversees annual audit process (both external & internal)

What is the purpose of an Audit Committee?

- Governance
- Ethics
- Adequacy of Internal Control
- Review of Tax-Exempt Status
- Protection of Employees Who Raise Concerns

Audit Committee Structure

- Board of Directors Appoint Members
- At Least Three (3) Members of the Board and one (1) Financial Expert
- All Members Should be Financially Literate
- Meet At Least Two (2) Times Annually
- Additional Meetings as Considered Necessary

Audit Committee Structure (Continued)

- Suggest Two (2) Meetings Annually with the Outside Audit Firm
 - 1 – To Plan the Audit
 - 2 – To Discuss Conclusions and Evaluate the Audit Process
- Executive Session – A Best Practice
- Review the Annual Audit
- Recommend Approval or Modification of the Annual Audit to the Full Board

Fraud – Responsibilities of the Audit Committee

- Active Role in Prevention & Deterrence of Fraud through Policy Creation and Suggestion
- Effective Ethics and Compliance Program
- Challenge Management & Auditors Regarding the Anti-Fraud Programs & Controls in Place
- Understand Actions Taken Against Known Perpetrators of Fraud
- Assist in Audit Planning by Noting Areas of Risk

Prevention, Deterrence, Investigation & Discovery or Detection of Fraud

- Monitor the Financial Reporting Process
- Overseeing the Internal Control System
- Identifying and Addressing Areas of Risk
- Overseeing the Internal and External Audit Processes
- Reporting Findings to the Board of Directors

Working Efficiently With Your Audit Committee

- Provide Information on Organizational Policies and Procedures
- Provide Timely Financial Information/Reports/Analytics
- Invite them to Review:
 - Current Accounting/Financial Procedures
 - Review RFP for New Auditors
 - Policy Changes Which Affect the Financial Health of the Organization
- Be the Liaison Between the Audit Committee and the External Auditors

Resources for Audit Committees

- **Alliance for Nonprofit Governance** www.angonline.org
- **American Institute of Certified Public Accountants**
www.aicpa.org
 - Audit Committee Effectiveness Center — www.aicpa.org/acec
 - Antifraud and Corporate Responsibility Resource Center — <http://antifraud.aicpa.org/>
 - Sarbanes-Oxley Implementation Central — <http://cpcaf.aicpa.org/Resources/Sarbanes+Oxley/The+Changing+Regulatory+Landscape.htm>

Resources for Audit Committees (Continued)

- **American Society of Association Executives** www.asaenet.org
- **Association of Audit Committee Members, Inc.** www.aacmi.org
- **Association of Certified Fraud Examiners** www.cfenet.com
- **Association of Community College Trustees** www.acct.org
- **Association of Governing Boards of Colleges and Universities** www.agb.org
- **BoardSource** www.boardsource.org
- **Committee of Sponsoring Organizations of the Treadway Commission**
www.coso.org
- **Conference Board** www.conference-board.com

Resources for Audit Committees (Continued)

- **Council on Foundations** www.cof.org
- **Ethics Officers Association** www.eoa.org
- **Financial Executives International** www.fei.org
- **Harvard Business School's Corporate Governance, Leadership & Values** www.cglv.hbs.edu
- **Independent Sector** www.independentsector.org
- **Institute of Internal Auditors** www.theiia.org
- **Internal Revenue Service** www.irs.ustreas.gov/charities/index.html
- **IT Governance Institute** www.itgi.org
- **National Association of College and University Business Officers** www.nacubo.org

Resources for Audit Committees (Continued)

- **National Association of Corporate Directors** www.nacdonline.org
- **National Council of Nonprofit Associations** www.ncna.org
- **Nonprofit Coordinating Committee of New York, Inc.**
www.npccny.org
- **Nonprofit Financial Center** www.nfconline.org
- **Public Company Accounting Oversight Board** www.pcaobus.org
- **The Sarbanes-Oxley Act of 2002**
www.aicpa.org/info/sarbanes_oxley_summary.htm

GROUP DISCUSSION



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